

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
CALCASIEU PARISH POLICE JURY
COMPONENT UNIT FINANCIAL REPORT**

December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/3/05

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
Lake Charles, Louisiana

FINANCIAL REPORT
December 31, 2004

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GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

December 31, 2004

COMMISSIONERS

Patrick Hay - President
Ernest Walker - Vice President
Jack Chelette - Secretary Treasurer
Lowell Guillory - Board Member
Denise Foster - Board Member

LEGAL COUNSEL

Terry Manuel - Assistant District Attorney



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CERTIFIED PUBLIC ACCOUNTANTS
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TEXAS STATE BOARD
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PUBLIC COMPANY
ACCOUNTING OVERSIGHT BOARD
CENTER FOR PUBLIC
COMPANY AUDIT FIRMS

REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Gravity Drainage District No. 4
of Calcasieu Parish
Calcasieu Parish Police Jury
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of December 31, 2004, which comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, as of December 31, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2005, on our consideration of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and page 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Langley, William B., D.L.

Lake Charles, Louisiana
May 13, 2005

Board of Commissioners

Jack Chelette

Denise Foster

Lowell Guillory

Patrick Hay

Ernest L. Walker



Engineer
D.W.Jessen, C.E.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Gravity Drainage District No. 4 (District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2004.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's special revenue fund.

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and provide the reader with a broad overview of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) is one way to measure the District's financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Since the District is not a complex entity, only a special revenue fund is utilized. The District's governmental fund uses a certain account approach described below:

Governmental funds - The District's special revenue fund is reported as a governmental fund. The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can readily be spent in the near future to finance the District's projects.

Gravity Drainage District No. 4 as a Whole

For the year ended December 31, 2004 and 2003, net assets changed as follows:

	2004	2003
ASSETS		
Current assets	\$ 8,014,496	8,618,954
Capital assets (net)	13,530,356	12,126,742
Total assets	21,544,852	20,745,696
 LIABILITIES		
Total liabilities	174,008	109,837
 NET ASSETS		
Total net assets	<u>\$ 21,370,844</u>	<u>\$ 20,635,859</u>

The \$735,000 increase in net assets is due to several factors:

- The District received additional state and local grant money of approximately \$460,000 in the current year, however, the expenditures for those projects are being capitalized on the government-wide financial statements.
- General revenues exceeded operating expenses by approximately \$275,000.

Governmental Activities

This section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences. To aid in the understanding of the statement of activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. It also identifies how much each function draws from the general revenues or it is self-financing through fees.

Some of the individual line item revenues reported for each function are:

Administration (general government)

Ad valorem taxes and state revenue sharing used to fund daily activities

Drainage projects

State, parish and city grants are used to fund drainage repair and construction

	Functions/Programs		Total		Change From 2003
	Administration	Drainage	2004	2003	
Expenses:					
Salaries and benefits	\$ 141,029	\$ 640,801	\$ 781,830	\$ 728,745	\$ 53,085
Other expenses	134,833	992,947	1,127,780	1,049,652	78,128
Total expenses	<u>275,862</u>	<u>1,633,748</u>	<u>1,909,610</u>	<u>1,778,397</u>	<u>131,213</u>
Program revenues:					
Charges for services	-	-	-	12,000	(12,000)
State and local grants	-	460,708	460,708	644,516	(183,808)
General revenues			2,183,887	2,225,114	(41,227)
Other revenues			-	299,447	(299,447)
Total revenue			<u>2,644,595</u>	<u>3,181,077</u>	<u>(536,482)</u>
Change in net assets			<u>\$ 734,985</u>	<u>\$ 1,402,680</u>	<u>\$ (667,695)</u>

Gravity Drainage District No. 4

The following schedule presents a summary of the special revenue fund revenues and expenditures for the years ended December 31, 2004 and 2003. Also presented on the schedules are the amounts and percentages of increase and decrease from amount from the year ended December 31, 2003.

	<u>2004</u>	<u>2003</u>	<u>Change From 2003</u>	<u>Variance</u>
Revenues:				
Ad valorem taxes	\$ 1,985,984	\$ 2,007,787	\$ (21,803)	-1.09%
State revenue sharing	80,428	80,428	-	0.00%
State and local grants	460,708	644,516	(183,808)	-28.52%
Other income	<u>114,710</u>	<u>457,845</u>	<u>(343,135)</u>	<u>-74.95%</u>
Total revenues	<u>\$ 2,641,830</u>	<u>\$ 3,190,576</u>	<u>\$ (548,746)</u>	<u>-17.20%</u>

The state awarded less grant money on construction projects in 2004 than in 2003.

Other income decreased due to approximately \$300,000 of sales taxes being refunded to the District in 2003.

Expenditures:				
Salaries and benefits	\$ 758,330	\$ 704,485	\$ 53,845	7.64%
Per diem (Board of Commissioners)	23,500	24,260	(760)	-3.13%
Operating services	448,376	470,510	(22,134)	-4.70%
Materials and supplies	158,734	109,962	48,772	44.35%
Intergovernmental service charges	84,968	67,283	17,685	26.28%
Capital outlay	<u>1,839,317</u>	<u>1,123,067</u>	<u>716,250</u>	<u>63.78%</u>
Total expenditures	<u>\$ 3,313,225</u>	<u>\$ 2,499,567</u>	<u>\$ 813,658</u>	<u>32.55%</u>

Materials and supplies increased primarily because of the increase in diesel fuel cost due to price increases and heavy rain in 2004. Diesel engines are used to power the flood control equipment.

Capital outlay increased due to larger construction projects in 2004.

SIGNIFICANT BUDGET VARIANCES

Gravity Drainage District No. 4

Annually, the Gravity Drainage District No. 4 adopts a revenue and expenditure budget for the special revenue fund. A forecast of revenues and expenditures is made based upon the prior year's expenditures and taking into consideration additional expenditures which can be predetermined and estimated. All budgetary appropriations lapse at the end of each fiscal year. There were no revisions made to the original budget.

	Budget	Actual	Variance	
			\$	%
Revenues:				
Ad valorem taxes	\$ 2,000,000	\$ 1,985,984	\$ 14,016	0.71%
State revenue sharing	80,400	80,428	(28)	-0.03%
State and local grants	35,000	460,708	(425,708)	-92.40%
Other income	111,000	117,475	(6,475)	-5.51%
Total revenues	<u>\$ 2,226,400</u>	<u>\$ 2,644,595</u>	<u>\$ (418,195)</u>	-15.81%

The state awarded more grant money on construction projects than expected.

Expenditures:				
Salaries and benefits	\$ 723,200	\$ 758,330	\$ (35,130)	-4.63%
Per diem (Board of Commissioners)	24,260	23,500	760	3.23%
Operating services	519,000	448,376	70,624	15.75%
Materials and supplies	117,100	158,734	(41,634)	-26.23%
Intergovernmental service charges	67,703	84,968	(17,265)	-20.32%
Capital outlay	405,850	1,839,317	(1,433,467)	-77.93%
Total expenditures	<u>\$ 1,857,113</u>	<u>\$ 3,313,225</u>	<u>\$ (1,456,112)</u>	-43.95%

Materials and supplies increased primarily because of the increase in diesel fuel cost due to price increases and heavy rain in 2004 compared to 2003. Diesel engines are used to power the flood control equipment. The 2004 budget was based on 2003 actual.

Capital outlay increased due to larger construction projects in than expected in 2004.

Operating services decreased primarily because of two factors; rental equipment and repairs and maintenance were less than expected.

CAPITAL ASSETS

At the end of December 31, 2004, Gravity Drainage District No. 4 had \$13,530,356 net of accumulated depreciation invested in capital assets including infrastructure, construction in progress, building improvements, heavy and light equipment, and land. The chart listed below represents the breakdown:

	2004	2003
Land	\$ 259,016	238,016
Building - improvements	49,238	49,238
Furniture and fixtures	20,603	20,603
Light equipment	299,921	264,884
Heavy equipment	1,271,348	1,170,106
Infrastructure	18,024,608	15,780,056
Construction in process	-	614,048
	<u>19,924,734</u>	<u>18,136,951</u>
Less accumulated depreciation	<u>6,394,378</u>	<u>6,010,210</u>
Net capital assets	<u>\$ 13,530,356</u>	<u>\$ 12,126,741</u>

- The increase in heavy equipment purchases was due to the equipment replacement schedule, old equipment was replaced with new equipment.
- Infrastructure increased due to the completion of three projects; the Heard Road lateral (phase 2), the Antoine Gully (phase 4 & 5), and the Tommasi Crossing.
- There were no uncompleted projects at December 31, 2004.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

Presently, the District operates on a millage of 5.77 mills levied on the yearly tax roll on all property subject to taxation, which is a decrease from 5.92 mills in 2003. However this decrease did not significantly affect total tax assessments. Ad valorem taxes for the District are expected to remain at the same levels for the foreseeable future.

Employee benefits, including health insurance and retirement benefits, are expected to rise in the near term due to rate increases.

CONTACTING GRAVITY DRAINAGE DISTRICT NO. 4 FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of Gravity Drainage District No. 4's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Gravity Drainage District No. 4 at 1204 Lakeshore Drive, Lake Charles, LA.



Sheila Ozane
Office Manager
Gravity Drainage District No. 4

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
December 31, 2004

<u>ASSETS</u>	
Current assets:	
Cash	\$ 487,001
Investments, at cost	5,372,392
Taxes receivable, (net)	2,107,675
Grants receivable	18,488
Other receivables	28,940
Total current assets	<u>8,014,496</u>
Noncurrent assets:	
Capital assets (net)	<u>13,530,356</u>
Total assets	<u>21,544,852</u>
<u>LIABILITIES</u>	
Accounts payable	9,741
Contracts payable	98,842
Other current liabilities	38,616
Deferred revenue	26,809
Total liabilities	<u>174,008</u>
<u>NET ASSETS</u>	
Investment in capital assets	13,530,356
Fund balance - unrestricted	<u>7,840,488</u>
Total net assets	<u>\$ 21,370,844</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO 4
OF CALCASIEU PARISH

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
December 31, 2004

	Functions/Programs		Total
	Administration	Drainage	2004
Expenses:			
Salaries and benefits	\$ 141,029	\$ 640,801	\$ 781,830
Materials and supplies	14,891	143,843	158,734
Operating services	33,082	415,294	448,376
Other program expenses	84,968	-	84,968
Depreciation	1,892	433,810	435,702
Total expenses	275,862	1,633,748	1,909,610
Program revenues:			
State and local grants	-	460,708	460,708
Net program expenses	<u>\$ 275,862</u>	<u>\$ 1,173,040</u>	1,448,902
General revenues:			
Ad valorem taxes			1,985,984
State revenue sharing			80,428
Interest income			109,305
Miscellaneous income (expense)			8,170
Total general revenues			<u>2,183,887</u>
Change in net assets			734,985
Net assets at beginning of year			<u>20,635,859</u>
Net assets at end of year			<u>\$ 21,370,844</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2004

	<u>Special Revenue Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 487,001
Investments	5,372,392
Taxes receivable, (net of allowance for uncollectibles of \$20,483)	2,107,675
Grants receivable	18,488
Other receivables	<u>28,940</u>
Total assets	<u>\$ 8,014,496</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Accounts payable	\$ 9,741
Contracts payable	98,842
Other current liabilities	38,616
Deferred revenue	<u>26,809</u>
Total liabilities	<u>174,008</u>
Fund equity:	
Fund balance - unreserved:	
Designated (Note 11)	7,840,488
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,394,378	<u>13,530,356</u>
Net assets of governmental activities	<u>\$ 21,370,844</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended December 31, 2004

	<u>Special Revenue Fund</u>
Revenue:	
Ad valorem taxes	\$ 1,985,984
State grants - DOTD	369,752
Local grants:	
City of Lake Charles	66,793
Calcasieu Parish Police Jury	24,163
State revenue sharing	80,428
Interest	109,305
Proceeds from sale of assets	5,405
Miscellaneous	2,765
Total revenues	<u>2,644,595</u>
Expenditures:	
Public works:	
Drainage and flood control:	
Salaries and benefits	758,330
Per diem (Board of Commissioners)	23,500
Operating services	448,376
Materials and supplies	158,734
Intergovernmental charges	84,968
Capital outlay	1,839,317
Total expenditures	<u>3,313,225</u>
Excess expenditures over revenues	(668,630)
Fund balance at beginning of year	<u>8,509,118</u>
Fund balance at end of year	<u>\$ 7,840,488</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended December 31, 2004

	<u>Total Governmental Funds</u>
<i>Reconciliation of the change in fund balances - total governmental fund to the change in net assets of governmental activities:</i>	
Net change in fund balance - total governmental funds	\$ (668,630)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
<i>Governmental funds report capital outlays while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</i>	
Capital asset purchases	1,839,317
Depreciation expense	<u>(435,702)</u>
Change in net assets of governmental activities	<u>\$ 734,985</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT No. 4
Lake Charles, Louisiana
December 31, 2004

Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury responsible for maintenance of certain natural drainage laterals located in Ward 3, Calcasieu Parish. The District is authorized by R.S. 38:1751 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana. The Drainage Board is comprised of 5 members who are appointed by the Calcasieu Parish Police Jury for terms of four years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of the Gravity Drainage District No. 4 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

B. REPORTING ENTITY

The accompanying financial statements include the various activities that are within the control and authority of the Board of Commissioners of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana.

C. FUND ACCOUNTING

The Gravity Drainage District No. 4 uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate fiscal and accounting entity with a self-balancing set of accounts.

The district maintains one fund to account for its operations which it has classified as a special revenue fund. Special revenue funds are used to account for all specific revenue sources that are legally restricted to expenditures for specific purpose.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

GRAVITY DRAINAGE DISTRICT No. 4
Lake Charles, Louisiana
December 31, 2004

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, the following practices are utilized in recording revenues and expenditures:

Revenues -- The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, intergovernmental, and interest revenue. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. BUDGETS AND BUDGETARY ACCOUNTING

Annually, the District adopts a revenue and expenditure budget for its special revenue fund. A forecast of revenues and expenditures is made based upon the prior year's revenues and expenditures and taking into consideration additional expenditures which can be predetermined and estimated. All budgetary appropriations lapse at the end of each fiscal year.

The budget is adopted on a GAAP basis method of accounting. Budgetary comparisons presented in this report are on this GAAP budgetary basis. Budget amounts are as originally adopted, adjusted for subsequent amendments.

Encumbrance accounting is not used.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting

GRAVITY DRAINAGE DISTRICT No. 4
Lake Charles, Louisiana
December 31, 2004

solely of and limited to securities of the United States government or its agencies. In addition the District is authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by the initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

Cash and cash equivalents, which include cash, demand deposits, and U.S. Government agencies having an original maturity of three months or less from the date acquired are stated at amortized cost at December 31, 2004. LAMP investments are stated at cost which approximates fair market value and are classified as cash equivalents.

G. INVESTMENTS

Investments, which include U.S. Government agencies, having an original maturity in excess of three months from the date acquired are stated at fair market value.

H. CAPITAL ASSETS

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$300.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	15 to 40 years
Improvements, other than buildings	5 to 40 years
Furniture and fixtures	3 to 10 years
Machinery and equipment	3 to 15 years
Infrastructure	15 to 40 years

M. VACATION AND SICK LEAVE

Substantially all employees earn five to twenty days of vacation leave each year depending on length of service with the District. Generally, vacation leave cannot be accumulated. However, vacation leave is allowed to be carried forward for the Superintendent, the Assistant Superintendent and the Office Manager, however, the liability is not considered by management to be material and the liability has not been accrued.

All District employees earn twelve and one-half hours of sick leave per month. Sick leave can be accumulated without limitation. Upon retirement, all unused sick leave is used in the retirement benefit computation as earned service.

Upon resignation, unused sick leave is forfeited and unused vacation leave must be taken and may not be settled in cash. Because these liabilities will not be settled in cash, they are not included in the financial statements.

GRAVITY DRAINAGE DISTRICT No. 4
Lake Charles, Louisiana
December 31, 2004

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2004 were as follows:

	Carrying Amount	Bank Balance
Demand deposits-interest bearing (category 1)	\$ 70,189	\$ 90,597
Deposits held by LAMP (uncategorized)	416,812	416,812
Total cash and cash equivalents	<u>\$ 487,001</u>	<u>\$ 507,409</u>

Cash and demand deposits of the District are classified into three categories to give an indication of the level of risk assumed at year end. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the District or its agent in the District's name. Category 2 represents deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 represents deposits uncollateralized including any securities held for the entity but not in the District's name.

The Gravity Drainage District No. 4 maintains demand deposits (cash) through local depository banks which are members of the Federal Reserve System. In accordance with an agreement with the Calcasieu Parish Police Jury, which is approved by the Board, certain funds are invested and managed by that agency.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality or school district.

The District's bank demand deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the District's name.

Deposits held by LAMP at December 31, 2004, consist of \$416,812 in the Louisiana Asset Management Pool, nc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section 150.165 the investment in LAMP at December 31, 2004, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the state of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

GRAVITY DRAINAGE DISTRICT No. 4
Lake Charles, Louisiana
December 31, 2004

3. AD VALOREM TAXES AND STATE REVENUE SHARING

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by Calcasieu Parish around October and are actually billed to the taxpayers in November. Billed taxes become delinquent on December 31.

The parish bills and collects its property taxes using the assessed values determined by the Calcasieu Parish Tax Assessor.

Accounting principles generally accepted in the United States of America for government prescribe a modified accrual basis to be applied to property tax revenues. An assessment is made to finance the budget of a particular period and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was provided (budgeted) and for which the collections are reasonably available. Expected collections and collections of the 2004 levy are accrued as receivable and as revenue in the current year (2004). For budget purposes, property taxes collected in 2004 are designated as revenue appropriable in the 2004 budget year.

4. INVESTMENTS

Following are investments reported at fair market value of the District at year end categorized to give an indication of the level of risk assumed by the District. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the name of the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the name of the District. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent but not in the name of the District.

	Reported Amount		
	Category		
	1	2	3
U.S. Government Agencies securities	\$ 5,372,392	\$ -	\$ -

5. GRANTS RECEIVABLE

Grants receivable in the amount of \$18,488 is due from the State of Louisiana for the Antoine Gully (Phase 4 & 5) project.

GRAVITY DRAINAGE DISTRICT No. 4
Lake Charles, Louisiana
December 31, 2004

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 1/1/04	Additions	Deletions	Transfers	Balance 12/31/04
Governmental activities:					
Land	\$ 238,016	\$ 21,000	\$ -	\$ -	\$ 259,016
Buildings	49,238	-	-	-	49,238
Furniture and fixtures	20,603	-	-	-	20,603
Light equipment	264,884	82,402	47,365	-	299,921
Heavy equipment	1,170,106	105,411	4,169	-	1,271,348
Infrastructure	15,780,056	-	-	2,244,552	18,024,608
Construction in progress	614,048	1,630,504	-	(2,244,552)	-
Total at historical cost	<u>18,136,951</u>	<u>1,839,317</u>	<u>51,534</u>	<u>-</u>	<u>19,924,734</u>
Less accumulated depreciation:					
Buildings	8,681	1,641	-	-	10,322
Furniture and fixtures	19,851	251	-	-	20,102
Light equipment	154,409	25,070	47,365	-	132,114
Heavy equipment	759,793	80,372	4,169	-	835,996
Infrastructure	<u>5,067,476</u>	<u>328,368</u>	<u>-</u>	<u>-</u>	<u>5,395,844</u>
Total accumulated depreciation	<u>6,010,210</u>	<u>435,702</u>	<u>51,534</u>	<u>-</u>	<u>6,394,378</u>
Governmental activities capital assets, net	<u>\$ 12,126,741</u>	<u>\$ 1,403,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,530,356</u>

7. RETIREMENT SYSTEMS

Defined benefit pension plan:

Plan description:

Substantially all employees are members of the Parochial Employees' Retirement System of Louisiana. Act 205 of 1952 established this retirement system, effective January 1, 1953. A comprehensive revision of the Parochial Employees' Retirement System law became effective January 1, 1980. This retirement system is operated by a Board of Trustees, an Administrative Director, an Actuary and a Legal Advisor.

All permanent employees of the District who work at least 28 hours a week shall become members on the date of employment. Members become entitled to receive retirement benefits after 10 years of creditable service. Eligibility to actually begin receiving benefits is a function of fulfilling the eligibility provisions of age and service.

Members with 10 years of creditable service may retire at age sixty; members with 25 years of service may retire at age fifty-five; members with 30 years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service.

GRAVITY DRAINAGE DISTRICT No. 4
Lake Charles, Louisiana
December 31, 2004

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for this retirement system. DROP is an option for those members who have been eligible for normal retirement for one year. The plan allows the pension benefit that is accrued at that point in time to be calculated and to accumulate with the retirement system while the DROP participant continues to work, freezing the future retirement benefit at retirement.

Funding policy:

The system is funded primarily by employer and employee contributions which are expressed as percentages of payroll. The amount of employee contributions is fixed by law. Covered employees were required by Louisiana state statute to contribute 9.5% of their salary to the plan. The District was required by the same statute to contribute 11.75% of eligible salaries. In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish (excepting Orleans and East Baton Rouge Parish) and remits the money to the system on an annual basis. The cost of operating the system is funded by a portion of the contribution.

The District's contributions to the Parochial Employees' Retirement System of Louisiana for each of the years ending December 31, 2004, 2003 and 2002 are presented below. These contributions are equal to the required contributions for each year.

	2004	2003	2002
Employer's contribution	55,190	34,421	35,986
Employee's contribution	44,621	42,193	44,111
	<u>\$ 99,811</u>	<u>\$ 76,614</u>	<u>\$ 80,097</u>

The Drainage District does not guarantee any benefits granted by the retirement system.

8. EMPLOYEE BENEFIT PLAN

The District maintains a medical and death benefits plan covering substantially all employees of the District. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is funded through contributions made by the District through premiums and expenditures made by the District. Effective October 1, 2001, the District changed its medical benefits plan to provide medical benefits through a health insurance policy for which the District is responsible for the premium costs only.

The plan provides benefits that cover permanent, full-time employees of the District who choose to participate following the employee waiting period. The employee waiting period for all new employees is the first of the month following three months of full-time employment. Employees are not required to contribute to the plan in order to participate. The plan also provides continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) for qualified beneficiaries who would otherwise have lost coverage under the plan.

Although it has not expressed an intent to do so, the District has the right to discontinue its contributions at any time and to terminate the plan subject to the provisions of ERISA.

GRAVITY DRAINAGE DISTRICT No. 4
Lake Charles, Louisiana
December 31, 2004

9. BAD DEBTS

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Tax revenue is shown net of the change in estimated uncollectible taxes of \$21,186.

10. CONTRACTS PAYABLES

This represents the amount due to contractors relating to the following construction projects:

Antoine Gully	\$	55,850
Tommasi Road Crossing		<u>42,992</u>
Total	\$	<u><u>98,842</u></u>

11. UNRESERVED AND DESIGNATED FUND BALANCES

The Board of Commissioners continue their policy of designating fund balance to provide a contingency reserve of resources to respond to major equipment overhaul and replacement needs. The various pump systems of the District (with unit replacements ranging from \$100,000 to \$2,000,000 per pump and possibly involving critically short turnaround times) comprise the major objectives of this contingency designation.

12. SCHEDULE OF COMMISSIONERS' COMPENSATION

Comissioner:		
Jack Chelette	\$	4,800
Denise Foster		3,200
Lowell Guillory		4,800
Patrick Hay		4,800
Bernadette Stevens		1,100
Ernest Walker		<u>4,800</u>
Total	\$	<u><u>23,500</u></u>

Commissioners are compensated at the rate of \$400 per month.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE (GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Ad valorem taxes	\$ 2,000,000	\$ 2,000,000	\$ 1,985,984	\$ (14,016)
State grants - DOTD	-	-	369,752	369,752
Local grants:				
City of Lake Charles	35,000	35,000	66,793	31,793
Calcasieu Parish Police Jury	-	-	24,163	24,163
State revenue sharing	80,400	80,400	80,428	28
Interest	110,000	110,000	109,305	(695)
Proceeds from sale of assets	-	-	5,405	5,405
Miscellaneous	1,000	1,000	2,765	1,765
Total revenues	<u>2,226,400</u>	<u>2,226,400</u>	<u>2,644,595</u>	<u>418,195</u>
Expenditures:				
Public works:				
Drainage and flood control:				
Salaries and benefits	723,200	723,200	758,330	(35,130)
Per diem (Board of Commissioners)	24,260	24,260	23,500	760
Operating services	519,000	519,000	448,376	70,624
Materials and supplies	117,100	117,100	158,734	(41,634)
Intergovernmental charges	67,703	67,703	84,968	(17,265)
Capital outlay:				
Acquisition of land	30,000	30,000	-	30,000
Acquisition of right of way	1,500	1,500	21,000	(19,500)
Acquisition/improvement of buildings	2,000	2,000	-	2,000
Acquisition of equipment	200,000	200,000	105,411	94,589
Acquisition of vehicles	150,350	150,350	82,402	67,948
Construction	22,000	22,000	1,630,504	(1,608,504)
Total expenditures	<u>1,857,113</u>	<u>1,857,113</u>	<u>3,313,225</u>	<u>(1,456,112)</u>
Excess (deficiency) of revenue over expenditures - budget basis	369,287	369,287	(668,630)	1,037,917
Fund balance at beginning of year	<u>8,509,118</u>	<u>8,509,118</u>	<u>8,509,118</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,878,405</u>	<u>\$ 8,878,405</u>	<u>\$ 7,840,488</u>	<u>\$ 1,037,917</u>

The accompanying notes are an integral part of this statement.



Langley, Williams & Company, L.L.C.

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COMPANY AUDIT FIRMS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Gravity Drainage District No. 4
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the financial statements of governmental activities of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana (District), a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2004, which comprise the District's basic financial statements and have issued our report thereon dated May 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2004-01 and 2004-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters, as described below, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lake Charles, Louisiana
May 13, 2005

Langley, Wuthman & Co., L.L.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2004

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
<ul style="list-style-type: none"> Material weaknesses identified? 	None
<ul style="list-style-type: none"> Reportable conditions identified that are not considered to be material weaknesses? 	Yes
Noncompliance material to financial statements noted?	No
Management letter issued?	Yes

- 2004-1 *Finding.* During 2004, the District wished to enter into a five-year operating lease for a dozer. The District requested proposals from local vendors and made its selection. The winning local vendor's proposal indicated that the financing would be structured as an operating lease through the manufacturer's financing arm, however, the final signed agreement was for lease purchase. As such, the District failed to comply with state bid law as well as the requirement to obtain approval from the state Bond Commission.
- Recommendation.* The District should work with the local vendor and finance company to cure the instance of noncompliance.
- Management's response.* The District concurs with the finding and will pursue the recommendation.
- 2004-2 *Finding.* The District's 2004 was not amended when budget-to-actual variances exceeded 5% for revenues and expenditures as required by state law.
- Recommendation.* The District should monitor its budget during the year and amend the budget as necessary to comply with state law.
- Management's response.* The District concurs with the finding and will implement the recommendation.

GRAVITY DRAINAGE DISTRICT No. 4
OF CALCASIEU PARISH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2004

Section II – Financial Statement Findings (continued)

Internal Control

2004-3 *Finding.* The District provides some oversight over the accounting process such as board members approving all invoices and signing checks, however, it is not enough to mitigate the lack of segregation of duties in the financial reporting process.

Recommendation. The District should implement more oversight, such as monthly board review of bank reconciliations and check registers, in order to help mitigate the lack of segregation of duties.

Management's response. The District concurs with the finding and will implement the recommendation.

Prior Year Findings

2003-1 Material weakness relating to inadequate segregation of duties was reported in 2003 by predecessor auditor. This matter has been discussed above at item 2004-3.



Langley, Williams & Company, L.L.C.

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Board of Commissioners
Gravity Drainage District No. 4 of Calcasieu Parish
Lake Charles, Louisiana

In planning and performing our audit of the basic financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Gravity Drainage District No. 4 of Calcasieu Parish's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

M_ 2004-1. During the course of our audit, we discovered outstanding checks totaling \$4,317 from before 1998. These checks should be investigated to determine whether such monies should be forwarded to the state treasury under the state's escheat law.

M_ 2004-2. During the course of our audit, we reviewed the activity in the garnishments payable account and noted that certain amounts that were withheld from employee checks did not appear to have been remitted to the appropriate agency. This account should be reconciled to determine if there are any amounts that need to be remitted and/or refunded to employees.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of the Gravity Drainage District No. 4 of Calcasieu Parish, management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

May 13, 2005

Langley, Williams & Co., L.L.C.

Board of Commissioners

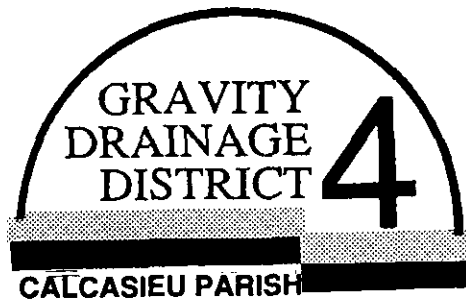
Jack Chelette

Lowell Guillory

Patrick Hay

Bernadette Stevens

Ernest L. Walker



Engineer
D.W. Jessen, C.E.

July 26, 2005

Steve J. Theriot, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70802

RECEIVED
LEGISLATIVE AUDITOR
05 JUL 28 PM 12:27

Dear Mr. Theriot:


As part of the audit of the financial statements of Gravity Drainage District No. 4 of Calcasieu Parish for the year ended December 31, 2004, our auditors noted certain matters involving internal control and its operation that they considered to be reportable conditions. Following is our corrective action plans:

ML 2004-1. During the course of their audit, our auditors discovered outstanding checks totaling \$4,317 from before 1998. They recommended that these checks be investigated to determine whether such monies should be forwarded to the state treasury under the state's escheat law. We concur with this recommendation and will implement during this fiscal year.

ML 2004-2. During the course of their audit, our auditors reviewed the activity in the garnishments payable account and noted that certain amounts that were withheld from employee checks did not appear to have been remitted to the appropriate agency. They recommended that this account should be reconciled to determine if there are any amounts that need to be remitted and/or refunded to employees. We concur with this recommendation and will implement during this fiscal year.

We understand that the auditors will ensure that these plans have been implemented and are operating properly when they perform next year's audit.

Sincerely,


Ernest L. Walker
President